

Fairfax County Economic Index

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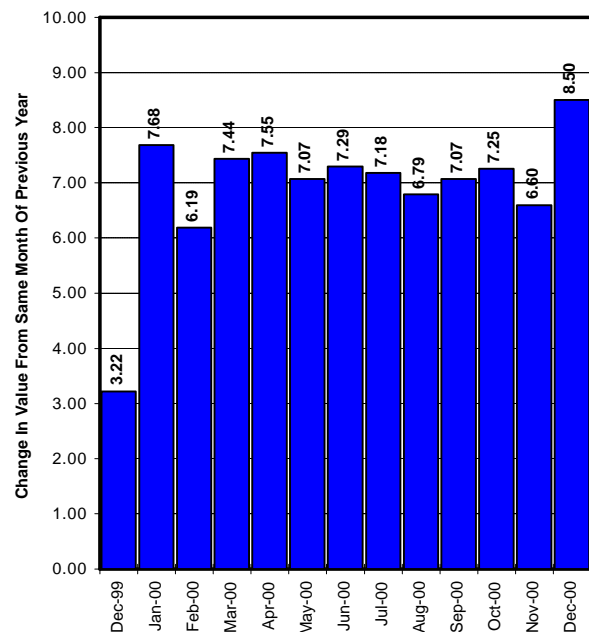
Economy Strong Through Year's End, Leading Indicators Point To Slower Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 131.5 in December for a gain of 0.41 percent. With December's increase, the Coincident Index has been up for five consecutive months following a period of monthly declines during the second quarter. For the year, the Index was positive in eight months and gained 6.9 percent. In December, two of the Index's four components were positive.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a second month following a slight decline in October; and,
- Sales tax collections, adjusted for inflation and seasonal variation, rebounded strongly from November's decline; while,
- Total employment was down marginally from November after gaining in four consecutive months; and,
- Consumer confidence declined for the second time in three months.

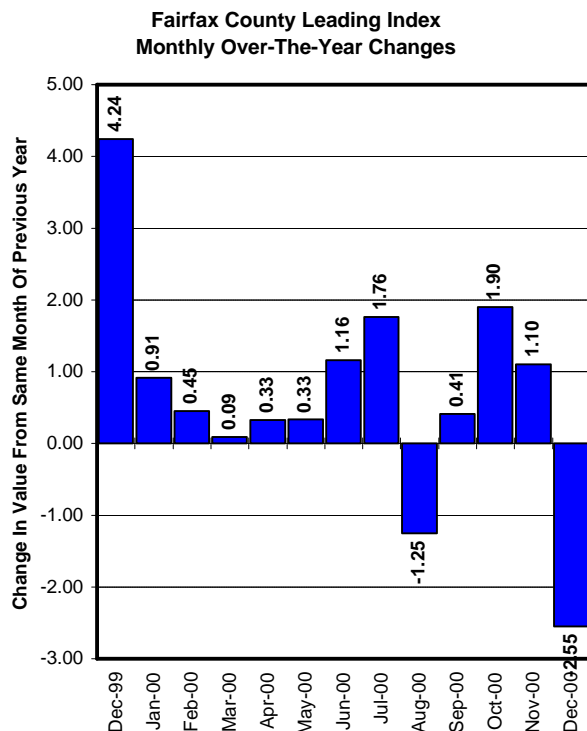
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to 12 months in advance, decreased in December to 106.56 for a decline of 0.5 percent. December's decline follows three monthly increases.

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

However, for the year, the Leading Index has been down in six months and lost 2.3 percent. This downward trend for the year has brought the Index below its 12-month moving average and has flattened its growth trend going into 2001. In December, three of the Index's five components contributed to its decline.



Source: Center for Regional Analysis, George Mason University

- New automobile registrations declined sharply in December after having increased over the three preceding months;
- Initial claims for unemployment insurance increased (worsened) for the second time in three months; and,
- Consumer expectations (consumer confidence six months hence) declined for the fourth consecutive month; while,
- Residential building permits increased for the third time in four months; and,
- The total value of residential building permits increased for the third month in a row.

The Fairfax County economy was still accelerating at the end of the year and tracking well above its historic growth trend. In contrast, the Leading Index has been trending down since its December 1999 peak and has now been tracking below its historic trend line for four months. This pattern of performance points to slower growth in the Coincident Index in the coming months, following similar patterns being

experienced by both the Washington metropolitan area and national economies.

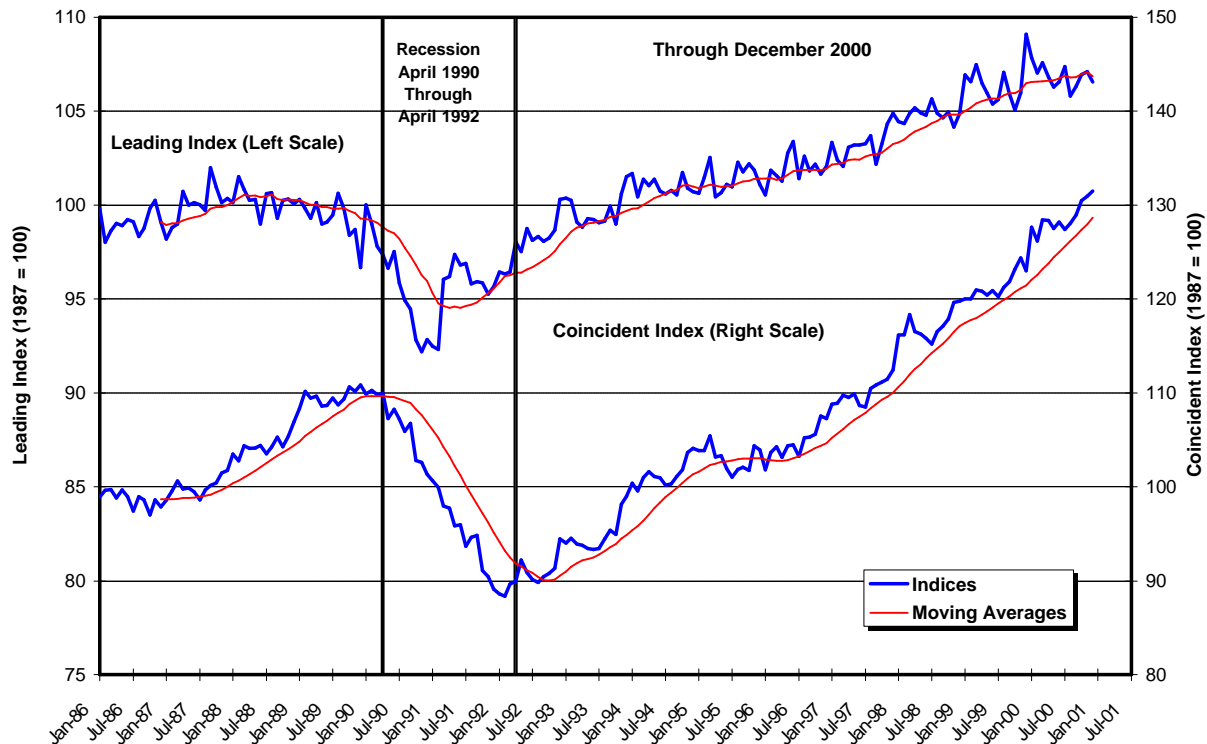
CURRENT CONDITIONS

The continuing strength of the County's economy is evident in its ability to generate new jobs and support strong consumer spending. Job growth has continued to accelerate over the year and, even though December's employment total for the County was slightly down from November's, compared to December 1999 the job base grew up 33,051 jobs for a gain of 6.9 percent. The significance of this monthly over-the-year job gain is seen in comparison to the Northern Virginia's job growth that totaled 50,900 for this same period; Fairfax County accounted for 65 percent of this increase. At the metropolitan scale, Fairfax County accounted for 42.4 percent of its 78,000 new jobs. This ability to grow jobs and income illustrates the continuing strength of the economy.

Even the growing number of announced layoffs in the region's technology industry have yet to become widely visible in the County's economic data. Unemployment has held relatively steady in the 1.4 percent range for much of the year, down two-tenths of a point from a year ago. However, initial claims for unemployment insurance, which captures the newly laid-off workers, has increased 11.7 percent for the year, with December's 22.5 percent gain from November more than off-setting decreases registered earlier in the year. This one-month surge reflects the first signs of weakness in the County's labor market but may represent only a frictional condition that will be corrected as laid-off workers quickly find new jobs in the still-growing employment base.

Consumer confidence has fallen more at the national level than in the South Atlantic region in which Fairfax County is located. Still, consumer confidence is down, especially expectations for the economy in the near-term future. As consumer confidence weakens, normally so does retail spending. At the metropolitan level, December's retail sales are estimated to have fallen slightly below their same-month sales volume in 1999. In contrast, December sales tax receipts in Fairfax County were up significantly, although December 1999 tax revenue data had not fully accounted for all collections due to reporting problems last year. Furthermore, new automobile registrations have declined 28 percent for the year with much of this loss coming in December.

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

Also, residential building permits, while up from November, were down almost 51 percent from last December. While consumer spending appears not to have weakened as much in Fairfax County as in other jurisdictions, there are signs that consumers may be cutting back on their spending for “big ticket” items, such as autos, and becoming more cautious in light of increasing economic uncertainty. Whether consumers increase or decrease their spending in the coming months will have a major impact on the economy’s health in 2001.

NEAR-TERM OUTLOOK

The Fairfax County Leading Index tracked lower throughout the past year with this trend reflected in all of its individual components. This broad-based weakening of the forecasting index points to the eventual deceleration of the Coincident Index. While this slowing of the economy was not in evidence in December, the next several months should confirm the

economy’s future course.

As the Washington and national leading indices have also tracked lower since the second quarter of 2000, these economies are expected to slow over the first half of 2001. Countering these trends have been two recent interest rate reductions by the Federal Reserve Board. Among the benefits of lower interest rates will be increased home mortgage refinancing that should help to stimulate consumer spending. Also, tax refunds in March and April should translate into higher retail sales.

Such a rebound in consumer spending is expected to accelerate the economy’s growth beginning in the year’s second half. Consumer confidence should be further bolstered if federal tax reduction takes place before Congress’ summer recess and is retroactive to the beginning of the year. Increasing consumer confidence and spending are the keys to a short and shallow slowdown. As Fairfax County’s economy has remained stronger longer than experienced nationally, any slowdown in the County’s economy should be slight and short.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Dec-00 Prelim.	Nov-00 Final	Dec-99 Final	Nov-00 to Dec-00	Dec-99 to Dec-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	131.50	130.97	123.00	0.41	6.91
Leading Index (1987 = 100)	106.56	107.10	109.11	-0.50	-2.34
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	550,086	550,263	517,035	-0.03	6.39
<i>Total Covered Employment (Unadjusted)</i>	<i>558,579</i>	<i>554,016</i>	<i>525,018</i>	<i>0.82</i>	<i>6.39</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	396	378	365	4.81	8.52
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>579</i>	<i>580</i>	<i>511</i>	<i>-0.32</i>	<i>13.28</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,300	7,494	6,032	10.76	37.59
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>15,449</i>	<i>9,912</i>	<i>11,160</i>	<i>55.86</i>	<i>38.43</i>
South Atlantic Consumer Confidence	184	189	190	-2.70	-3.26
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,716	7,759	7,962	-26.32	-28.20
<i>Automobile Registrations (Unadjusted)</i>	<i>4,979</i>	<i>6,900</i>	<i>6,935</i>	<i>-27.84</i>	<i>-28.20</i>
Initial Unemployment Claims (Seasonally Adjusted)	695	568	622	22.47	11.70
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>678</i>	<i>511</i>	<i>607</i>	<i>32.68</i>	<i>11.70</i>
South Atlantic Consumer Expectations	100.9	110.9	118.2	-9.02	-14.64
Residential Building Permits (Number of Units, Seasonally Adjusted)	770	427	1,561	80.32	-50.68
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>582</i>	<i>377</i>	<i>1,180</i>	<i>54.38</i>	<i>-50.68</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	43,455	34,947	73,450	24.35	-40.84
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>53,643</i>	<i>47,753</i>	<i>86,860</i>	<i>12.33</i>	<i>-38.24</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	555,695	557,257	546,396	-0.28	1.70
<i>Total Labor Force (Unadjusted)</i>	<i>557,907</i>	<i>556,365</i>	<i>548,571</i>	<i>0.28</i>	<i>1.70</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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